No. 90-258

IN THE

Supreme Court of the United States

OCTOBER TERM, 1990

WESLO, INC.,

Petitioner,

v.

DIVERSIFIED PRODUCTS CORP., and
BROWN FITZPATRICK LLOYD PATENT LTD., *et al.*,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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REPLY BRIEF OF PETITIONER

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AMENDED LIST OF PARTIES WITH PARENT AND SUBSIDIARY STATEMENT OF PETITIONER

Pursuant to Supreme Court Rules 14.1(b) and 29.1, the parties to the proceedings below are:

a. The petitioner, WESLO, INC. of Logan, Utah, is a defendant below. The parent of WESLO, INC. is Weider Health & Fitness, Inc. of Los Angeles, California. WESLO, INC. does not have any non-wholly owned subsidiaries.

b. The respondents, DIVERSFIED PRODUCTS CORP. of Opelika, Alabama and BROWN FITZPATRICK LLOYD PATENT LTD. of the United Kingdom are plaintiffs below.*

c. Other respondents include the remaining active defendants in the case below which was consolidated by the Judicial Panel on Multidistrict Litigation. The other defendants and respondents are: Rocket Industries, Inc.; Roadmaster Corporation;** Columbia Manufacturing Co.; Walton Manufacturing Co.; and Ajay Enterprises Corporation. Ajay Enterprises Corporation is also a plaintiff below in a consolidated declaratory judgment suit against DIVERSIFIED PRODUCTS CORP. Roadmaster Corporation filed a Supplemental Brief in support of the Petition. Allegheny International Exercise Company is a party in the trial court but not a respondent here. It has not participated below pursuant to an Order of June 9, 1988 in the trial court staying this matter as to Allegheny because Allegheny had reportedly initiated Bankruptcy proceedings.***

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* BROWN FITZPATRICK LLOYD PATENT LTD. was earlier incorrectly identified as BROWN, FITZPATRICK, LLOYD LTD.

** Roadmaster Corporation was earlier incorrectly identified as Roadmaster, Inc.

*** Allegheny International Exercise Company was earlier incorrectly identified as Allegheny Exercise Equipment Company. Also, it was incorrectly stated that Allegheny had been dismissed when it had only been stayed from further participation.

d. The following defendants below have been dismissed: Beacon Enterprises, Inc.; Billard Barbell Co.; and Saw Mill River Industries, Inc.

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In their Brief In Opposition (Br. Opp.), respondents assert in essence that the Court lacks jurisdiction of this petition (Br. Opp. 4-9), that the doctrines of res judicata and collateral estoppel do not apply to ITC patent determinations because the ITC lacks "jurisdiction" over patent questions (*Id.* at 9-12), that the decision below is consistent with all applicable authority (*Id.* at 12-23), and that the question presented lacks sufficient importance to justify this Court's attention (*Id.* at 26-28). These assertions lack merit.

I. THE COURT HAS JURISDICTION UNDER 28 U.S.C. § 1254 AND THE "ALL WRITS ACT"

Respondents assert that the Court lacks jurisdiction to address the preclusion question presented by the petition

because this case was never "in" the Federal Circuit.[1] That assertion is somewhat remarkable, due to the fact that the Federal Circuit published an opinion at 903 F.2d 822 rejecting petitioner's view that ITC patent determinations are entitled to preclusive effect. App. B, 3a-5a. It is hard to imagine how a court can write an opinion on a matter that is not before it.[2]

Prior decisions of this Court, moreover, demonstrate this case was "in" the Federal Circuit. In *Tidewater Oil Co. v. United States*, 409 U.S. 151, 152 (1972), Tidewater's motion to dismiss was denied and certified for appeal under 28 U.S.C. § 1292(b); but the appellate court refused to hear the appeal. Thus, *Tidewater* is procedurally identical to this case. WESLO's dispositive motion was denied and certified for appeal; but the appellate court refused to hear the appeal. However, in *Tidewater*, this Court granted certiorari apparently concluding the case was "in" the court of appeals even though that court had refused review. Therefore, jurisdiction is present here the same as in *Tidewater*.

Similarly, in *Nixon v. Fitzgerald*, 457 U.S. 731 (1982), this Court reviewed the trial court's rejection of an immunity claim, even though the court of appeals had dismissed the appeal for lack of jurisdiction. This Court concluded that the case "was 'in' the Court of Appeals under § 1254 and properly within our certiorari jurisdiction," emphasizing that "there can be no serious doubt

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[1] 28 U.S.C. § 1254 provides that cases "in the courts of appeals" may be reviewed by writ of certiorari.

[2] Respondents inappropriately analogize the lower court's discretionary appellate review under 28 U.S.C. § 1292(b) to this Court's discretionary certiorari authority (Br. Opp. 5-6). However, it is doubtful that even respondents would seriously assert that unsuccessful certiorari petitions were never "in" this Court. It is similarly difficult to support the notion that unsuccessful petitions under § 1292(b) were never "in" the appropriate appellate court. An exercise of judicial discretion by the Federal Circuit clearly presupposes that the matter to which that discretion applies is before the Court exercising the discretion.

concerning our power to review . . . a decision to dismiss (an appeal) for lack of jurisdiction." 457 U.S. at 743 fn. 23. By direct analogy, there can be no serious doubt regarding this Court's power to review the Federal Circuit's refusal to hear the present case.[3]

Even if the Court's authority to review this matter under § 1254 were doubtful (which it is not), review would still be proper under the "All Writs" statute, 28 U.S.C. § 1651. This statute authorizes issuance of a writ of certiorari where the court of appeals has declined review. *House v. Mayo, supra*, 324 U.S. at 44; *In re 620 Church Street Bldg. Corp.*, 299 U.S. 24, 26 (1936).[4] Use of the "All Writs" power is here uniquely appropriate because proper application of preclusion doctrine is of critical importance to the efficient operation of the federal judiciary.[5] In addition, this case has had an adverse im-

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[3] The authority cited by respondents (Br. Opp. 4) supports jurisdiction here. In *United States v. Nixon*, 418 U.S. 682 (1974), a non-final trial court order that (under established doctrine) was not immediately appealable was appealed. Nevertheless, the Court took jurisdiction, finding the case to be "properly 'in' the court of appeals." 418 U.S. at 692. *Nixon*, therefore, supports jurisdiction here because it teaches that even appeals with a questionable basis before a court of appeals are nevertheless "in" that court. Similarly, in *Forsyth v. Hammond*, 166 U.S. 506 (1987), this Court wrote that its review powers are "not affected by the condition of the case as it exists in the court of appeal." 166 U.S. at 513.

Several of the cases cited by respondents are simply inapposite. *Smith v. Mitchell*, 454 U.S. 911 (1981), and *House v. Mayo*, 324 U.S. 42 (1944), for example, involved denial of certiorari petitions in habeas corpus cases for failure to obtain a certificate of probable cause required by 28 U.S.C. § 2253. Here, however, the statutorily required certificate under 28 U.S.C. § 1292(b) was in fact obtained from the trial court. *Gay v. Ruff*, 292 U.S. 25 (1933), also cited by respondents, involves review of a remand order in an action removed from state court that, on its facts, has no pertinence to the present case.

[4] 28 U.S.C. § 337 was cited, which is today 28 U.S.C. § 1651.

[5] Two other cases involving the same or similar issues have already arisen. *Bradley Shearing Machine Mfg. Co. Inc. v. LaBounty*

pact on the General Agreement on Trade and Tariffs[6] and already has sparked discussion at the bar and by commentators (Supp. Br., App. K & L.) Review now is not only appropriate, it is imperative.

Such review, furthermore, does not raise the specter of undue interference with appellate discretion, as asserted by respondents (Br. Opp. 5-9), because review here will not offend the policies animating 28 U.S.C. § 1292(b).[7] Even though the courts of appeals may have broad discretion under § 1292(b), those courts of appeals *do not* have discretion to ignore and then publish an opinion contrary to controlling decisions of this Court. This Court has repeatedly insisted that judicially affirmed administrative decisions are entitled to preclusive effect. App. C, 10a; Pet. 11, fn. 11. Review here to require compliance with this Court's precedent will not intrude upon any proper discretion of the Federal Circuit.

II. ACCORDING ITC PATENT DETERMINATIONS PRECLUSIVE EFFECT DOES NOT INTRUDE UPON THE JURISDICTION OF THE DISTRICT COURTS

Respondents assert that judicially affirmed findings of patent invalidity made by the ITC are not entitled to

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Mfg. Co., Civil C-C-86-295-M in the Western District of North Carolina (infringement) and *MAG Instrument Inc. v. J. Baxter Brinkman International Corp.*, Civil No. CA-3-86-427G in the Northern District of Texas (patent validity).

[6] *See*, Supplemental Brief of Roadmaster Corporation, Appendix L, A17-18, fns. 4-6. Hereinafter, the Supplemental Brief will be referred to as "Supp. Br."

[7] Indeed, immediate review is necessary to *further* the policies underlying § 1292(b). It is well established that § 1292(b) is designed to eliminate a "wasted, protracted trial if it could be determined that there might be no liability at a much earlier stage." *Katz v. Carte Blanche Corporation*, 496 F.2d 747, 754 (3d Cir. 1974). Here, immediate review may well avoid an expensive multidistrict proceeding and multiple trials.

preclusive effect because the ITC has no "jurisdiction" to make such findings. Br. Opp. 10-12. Such "jurisdiction" is lacking, they assert, because a contrary conclusion would conflict with the "exclusive" jurisdiction conferred on district courts under 28 U.S.C. § 1338. That is, the courts and the ITC supposedly have "mutually exclusive jurisdictional boundaries." Br. Opp. 18. These related assertions are wholly lacking in substance.

To begin with, it is *absolutely clear* that the ITC has jurisdiction to consider the validity of patents when such a question is raised before it. The Trade Reform Act of 1974 expressly authorized the ITC to hear "all legal and equitable defenses." 19 U.S.C. § 1337(c). The legislative history unambiguously reflects that the statute *requires* the ITC to "review the validity and enforceability of patents" when such an issue is raised by way of defense. S. Rep. No. 1298, 93d Cong., 2d Sess. 193, 196 (1974) *reprinted in* 1974 U.S. CODE CONG. & ADMIN. NEWS 7186, 7329. Thus, respondents' argument that the ITC lacks the power to determine patent validity is simply unfounded.

The ITC's power to determine patent validity, moreover, in no way conflicts with the jurisdiction of the district courts under 28 U.S.C. § 1338. Respondents' claim (Br. Opp. 18) that the "exclusive" jurisdiction [8] conferred by § 1338 prevents *any* other tribunal from addressing questions of patent validity proves to be too much. To begin with, it ignores Congress' express intent to permit ITC adjudication of patent validity. Further, respondents' position disregards the numerous decisions from this and other courts which hold that—notwithstanding § 1338—state court rulings on patent validity are nevertheless entitled to preclusive effect. See cases cited in Petition at pages 14-15, notes 15 and 16. These cases cannot be dismissed (as respondents attempt to do)

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[8] Notably, 28 U.S.C. § 1338 does not confer exclusive jurisdiction but only "original" jurisdiction upon the district courts.

by asserting that preclusion was mandated by the full faith and credit statute. Br. Opp. 23. If, as respondents claim, § 1338 deprives *all* tribunals except district courts of jurisdiction over patent questions, state court patent decisions—no less than those of the ITC—would be denied preclusive effect because state court decisions rendered in violation of exclusive federal jurisdiction *are not entitled to full faith and credit. Kalb v. Feuerstein*, 308 U.S. 433 (1940). Accordingly, the fact that state court patent determinations are routinely accorded preclusive effect proves the absurdity of respondents' "mutually exclusive jurisdiction" argument. Br. Opp. at 18.[9]

The respondents' attempt to hermetically seal the district court's patent jurisdiction from any outside influence is simplistic and erroneous. Established law provides that when *any* tribunal—whether it be the ITC or a state court—decides a question of patent validity in a case otherwise properly before it, that determination is thereafter entitled to preclusive effect. E.g., *Becher v. Contoure Laboratories, Inc.*, 279 U.S. 388 (1929) (state court judgment given preclusive effect in a subsequent patent infringement action). Such a result, moreover, does not intrude upon the district court's jurisdiction under § 1338. That jurisdiction will be fully and effectively exercised when the district court examines the decision of the earlier tribunal to determine whether, under the principles announced by this Court, the deci-

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[9] The bankruptcy of respondents' jurisdictional reasoning is also reflected in such baldly erroneous statements as "there is *no case* in which preclusive effect was given to a decision of a tribunal that did not have *jurisdiction to adjudicate* the subject matter involved." Br. Opp. 23 (emphasis in original). That proposition, of course, is simply incorrect. "Today, it is safe to conclude that most federal court judgments are res judicata notwithstanding a lack of subject matter jurisdiction." 18 C. Wright, A. Miller & E. Cooper, *Federal Practice and Procedure* § 4428 at 272 (1981). *Accord, Durfee v. Duke*, 375 U.S. 106, 111-112 (1963) (lack of subject matter and personal jurisdiction does not defeat claim and issue preclusion).

sion is entitled to preclusive effect. *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 350 (1971) (preclusion may be denied if litigants in prior forum lacked a full, fair opportunity to litigate). Respondents' convoluted and circular jurisdictional thesis, therefore, is flatly erroneous.

III. THE DECISION BELOW CONFLICTS WITH CONTROLLING DECISIONS OF THIS COURT AND DEMONSTRATES A CONSISTENT REFUSAL TO APPLY SOUND PRINCIPLES OF STATUTORY CONSTRUCTION

Respondents valiantly argue that the decision below is in accord with this Court's precedent and that it is based on a consistent, unquestioned line of Federal Circuit authority. Br. Opp. 12-21. The first argument is disingenuous. The second merely reinforces the need for immediate review because it underscores the Federal Circuit's consistent failure to adhere to sound principles of statutory construction.

Respondents attempt to avoid application of this Court's decisions in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation, supra*, and *United States v. Utah Construction & Mining Co.*, 384 U.S. 394 (1966), on the sole ground that the ITC was without *"jurisdiction . . . to finally adjudicate* the issue before it." Br. Opp. 20 (emphasis in original). As shown above, however, the ITC does have jurisdiction to adjudicate questions of patent validity, and to accord such determinations preclusive effect in no way interferes with jurisdiction conferred on the district courts by 28 U.S.C. § 1338. As a result, the lower courts' refusal to give the ITC adjudication preclusive effect stands in direct conflict with this Court's holdings in *Blonder-Tongue* and *Utah Construction*. Pet. 8-9.

Any supposed "consistency" in the Federal Circuit's approach (Br. Opp. 12-20), furthermore, militates in favor of—not against—review. The concept which de-

nies ITC determinations of preclusive effect has been developed primarily in dicta.[10] Moreover, that rule has *not* been derived from the plain language of the Trade Reform Act of 1974, but rather has been extracted from a single passage in the Act's legislative history. Pet. 17-21.[11] Indeed, Congress even considered—but did not enact—a specific provision limiting the preclusive effect of ITC determinations. Pet. 18 n.19. When Congress considered *but did not enact* a specific limitation on the preclusive effect of ITC determinations, the use of legislative history to impose such a limitation contrary to the plain terms of the Trade Reform Act is unwarranted and is contrary to the demonstrated intent of the legislative branch. *Pierce v. Underwood*, 487 U.S. 552, 566-568 (1988) (rejecting reliance on legislative history "because it is not an explanation of any language that" Congress drafted).

This Court has "not hesitated to apply *res judicata* to enforce repose" in administrative proceedings. *Utah Construction*, 384 U.S. at 422. The Federal Circuit ignores this policy and instead departs from sound principles of statutory construction to rely upon legislative history in derogation of plain statutory language and the rejection of proposed statutory language by Congress. The decision therefore demands the immediate attention of this Court.

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[10] As noted in the Petition (at 17 n.18), the Federal Circuit decisions on which the respondents rely (Br. Opp. 12-15) discuss the binding effect of ITC determinations only in dicta.

[11] Respondents' brief is illustrative. Although they invoke the plain language of the statute (Br. Opp. 3), nowhere in the body of their brief do respondents make any attempt to demonstrate how the language of 19 U.S.C. § 1337 limits the preclusive effect of ITC determinations. The reason for this "oversight" is obvious: the plain language of the Trade Reform Act *does not* set forth any restrictions on the preclusive effect of ITC findings. Pet. 17-19.

IV. PROPER APPLICATION OF CLAIM AND ISSUE PRECLUSION DOCTRINE IS OF GREAT IMPORTANCE TO THE ADMINISTRATION OF THE FEDERAL JUDICIARY

Respondents suggest that the question presented by this case lacks sufficient importance to merit review. Br. Opp. 26-28. This suggestion ignores not only recent commentary, but also the imperative importance of preclusion doctrine to the efficient administration of the federal judiciary.

The decision below has now been denounced by the Section of Patent, Trademark and Copyright Law of the American Bar Association. Supp. Br. 5 and App. K, A1-A12. A resolution favoring "application of the Doctrine of Collateral Estoppel by U.S. District Courts to prior final determinations of the International Trade Commission which are adverse to the Complainant" is under active discussion. Supp. Br. App. K, A2. A recent article in the Journal of the American Intellectual Property Law Association, moreover, criticized the decision below as "strange and anomalous." Supp. Br. App. L, A64.[12] The importance of this case, therefore, is highlighted by the fact that, after examination, the decision below has been found wanting by disinterested scholars. Supp. Br., App. K, L.

Of considerable more importance than the foregoing is the dramatic impact this case will have on the efficient operation of the federal judiciary. The published opinion of the Federal Circuit (App. B) will establish an exception to preclusion doctrine inconsistent with the long-standing decisions of this Court. *Blonder-Tongue, supra*; *Utah Construction, supra*. "The federal courts have tra-

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[12] This comment was prompted by the authors' observation that, as a result of the decision below, "Federal Circuit decisions on ITC non-patent cases are binding on its sister circuit, while Federal Circuit decisions on ITC patent cases are not binding even on itself." Supp. Br. App. L, A64.

ditionally adhered to the related doctrines of res judicata and collateral estoppel." *Allen v. McCurry*, 449 U.S. 90, 94-95 (1980). Efforts to carve out exceptions to these doctrines have been consistently resisted by this Court. *Id.*; *Federated Dept. Stores, Inc. v. Moitie*, 452 U.S. 394, 401 (1981); *Heiser v. Woodruff*, 327 U.S. 726, 733 (1946). "The doctrine of res judicata serves vital public interests." *Federated Dept. Stores*, 452 U.S. at 401. There is simply "no principle of law or equity which sanctions the rejection by a federal court of the salutary principle of res judicata." *Heiser*, 327 U.S. at 733. The decision below, which rejects this "salutary principle," demands immediate review.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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